

PINE TELEPHONE SYSTEM, INC.

HEADQUARTERS

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April 24, 2012

Ms. Sharon Gillett
Chief, Wireline Competition Bureau
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

**Re: WC Docket Nos. 10-90, 07-135, 05-337, 03-109; CC Docket Nos. 01-92, 96-45;
GN Docket Nos. 09-51
Written Ex Parte Communication**

Dear Ms. Gillett:

Pine Telephone System, Inc. ("Pine"), a rate-of-return incumbent local exchange carrier in Oregon, hereby notifies the Federal Communications Commission ("FCC") of Pine's intent to seek waiver of rules limiting the total high-cost funding to \$250 per line per month ("\$250 cap") as well as rules limiting reimbursable capital and operating costs if the Wireline Competition Bureau adopts the proposed quantile regression analysis methodology for High Cost Loop Support and Interstate Common Line Support. Pine has previously met with FCC staff to point out factual errors that were made in the analysis as applied to Pine that resulted in extreme cuts.

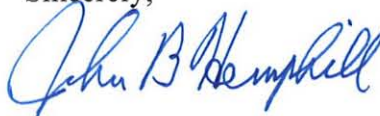
Pine's consultants have calculated the results of the \$250 cap and the proposed quantile regression analysis caps. They project a funding loss of approximately 43% of all federal support, effective, July 1 of this year and a net loss for 2013 income. A significant portion of this reduction in funding is due to a flaw in the regression analysis caps that penalizes companies who have been diligent to bring advanced services to rural areas. Pine Telephone recognized the need for broadband service and began, in 2007, the buildout of an upgraded fiber network to provide reliable voice and broadband services to its subscribers. Then, in 2008, Pine identified an area in central Oregon with no telephone service, much less broadband service, with over 600 establishments, and initiated the necessary regulatory work to be allowed to serve that area. A fiber trunk and central office were built in 2010, and the construction plan called for fiber to the home to be completed in 2011. Now, due to the FCC's new rule on USF and ICC, Pine has been forced to place the fiber to the home portion of the project on hold.

In order to pay for the capital improvements and additions to Pine's network, the company applied for loans from the Rural Utilities Services ("RUS"). Our plans were scrutinized by RUS to determine whether the capital improvements were justified and whether those loans could be repaid. Pine affirmatively demonstrated this relying on existing rules established in the Communications Act of 1934 and the Telecommunications Act of 1996 and the network was

built out according to RUS standards, until the forced halt to any further improvement, due to the FCC's proposed rule on USF reform. Implicit in RUS approval was a finding by the RUS that the proposed network improvements for broadband service were necessary to further the objectives of the Telecommunications Act of 1996, i.e., to provide comparable service at comparable rates to rural parts of this country, and that the improvements were not "wasteful and imprudent".

Therefore, "good cause" exists for Pine to file a waiver of the \$250 cap and the regression analysis cap, and "good cause" would exist for the FCC waiving implementation, pursuant to 47 C.F.R. §1.3. While the waiver process would be expensive for a company of our size, especially since the expenses would necessarily be charged against the "Corporate Expense" which has a lowered cap on it, Pine Telephone has no other option but to pursue it in light of the magnitude of the anticipated loss in federal universal service funding, which will seriously impact our ability to repay our RUS loans. Further, the record in this proceeding – including filings from the creator of regression analysis as well as economists in other Bureaus –state that the proposed regression analysis caps are erroneous and incomplete. Therefore, it would be in the public interest to waive this rule if adopted.

Sincerely,



John B. Hemphill
Vice President

cc: Senator Jeff Merkley
Senator Ron Wyden
Congressman Greg Walden
Congressman Mike Conaway
Administrator Jonathan S. Adelstein, RUS